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|  | **Entrance Examination**  **May 2021** |
| **BUSINESS AND MANAGEMENT**  Time allowed: 1.5 hours (90 minutes)  **Answer THREE questions – ONE from each Section**  Show all workings clearly. State and explain any assumptions which you make.  Non-programmable calculators may be used. | |

**SECTION A -** Answer **ONE** question from this section

1. Square PLC and Peg PLC operate in the same market. The following accounting information is for the year ending 31/10/2019.

**Square PLC Peg PLC**

**£m £m**

**Income Statement details**

Sales 276 552

Purchases 216 430

Net Profit before tax and interest 60 122

Net Profit after tax and interest 42 60

All sales are on credit terms and all purchases are supplied on credit.

**Square PLC Peg PLC**

**£m £m**

**Balance Sheet details**

Non Current Assets 240 480

Current assets

Stock 60 144

Debtors 48 72 216

Bank 36 144

Current Liabilities

Creditors 64 80

Overdraft - 64 60 140

Net Current Assets 80 76

**Net Assets 320 556**

Share capital (£1 shares) 200 400

Retained profit 120 156

**320** **556**

**REQUIRED:**

1. Calculate the following ratios for 2019 for both Square PLC and Peg PLC

in order to compare the performances of both businesses. For each ratio give its definition and show all relevant workings.

Profitability: Net profit to sales and the Return on Capital Employed.

Liquidity: Current ratio and the Acid test ratio

Efficiency: Debtor collection period; the Creditor period taken and the Stock

turnover period. **(20 marks)**

1. Compare the performance of Square PLC with Peg PLC.

**(14 marks)**

**(Total 34 marks)**

1. Financial statements show the true profit and the value of the company. Discuss this statement**. (34 marks)**
2. If the Cash Flow statement is so informative, why bother with the Income Statement? Discuss. **(34 marks)**

**SECTION B -** Answer **ONE** question from this section

1. Explain how economists measure the responsiveness of demand to changes in a product’s own price. What influences this elasticity of demand? **(33 marks)**
2. How are unemployment and inflation related to one another in both the short-run and the long-run? **(33 marks)**
3. How might central banks try to control the money supply? **(33 marks)**

**SECTION C -** Answer **ONE** question from this section

1. What are the implications for business from an ageing population? **(33 marks)**
2. Explain the importance of competition for business and the consumer? **(33 marks)**
3. How does the marketing communications mix differ from the marketing mix? Discuss the various tools of the communication mix making specific reference to their features.

**(33 marks)**